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C O N F I D E N T I A L ANKARA 000886

SIPDIS

TREASURY FOR U/S TAYLOR FROM AMBASSADOR
STATE ALSO FOR E, EB, AND EUR
STATE PASS USTR FOR NOVELLI AND BIRDSEY

E.O. 12958: DECL: 02/04/2013

TAGS: [EFIN](#) [ETRD](#) [PREL](#) [TU](#)

SUBJECT: SCENESETTER FOR TREASURY U/S TAYLOR'S VISIT TO
TURKEY

(U) Classified by Ambassador W. Robert Pearson. Reasons:
1.5 (b,d)

1. (C) You will arrive one day ahead of the Turkish Parliament's debate over deployment of a number of U.S. troops for site preparation, and less than two weeks before Parliament's expected debate on deployment of U.S. combat troops. Your visit can help us achieve the best possible outcome in Parliament by producing agreement on a bilateral financial assistance package and outlining significant new U.S. steps on trade.

2. (C) On financial assistance, we will need to push hard to reach agreement on numbers and basic structure. The Turks have said they want to conclude an MOU or other "letter or intent" demonstrating that agreement. In our view, that will require maximum flexibility on numbers from our side. You will also want to stress the military and economic conditions attached to our assistance.

3. (C) On trade, it is critical that you be able to present a substantial package, including a commitment to submit "clean" QIZ legislation to Congress, the most forward-leaning language possible on additional GSP benefits (including a firm commitment on gold jewelry), and textile quota shifts, as well as the 807/809 program. It would also be useful to reiterate our willingness to consider an FTA if the GOT confirms it is willing and able to pursue a comprehensive agreement within the parameters of its Customs Union with the EU. Offering something substantive on trade is essential in the Turkish political context.

4. (C) I hope you will also be able to give the Turks a status report on the other elements of our economic package: procurement and oil. I understand there has been little progress on the latter, but it would be useful to emphasize to the GOT that rapid decisions on site preparation, troop deployment and opening the border to humanitarian NGOs would enable the USG to begin spending significant sums of money in Turkey.

5. (C) On economic reform, the government has taken some positive fiscal measures recently, in response to strong IFI/USG pressure and concern in the markets. Still, the program remains off-track, and the government has yet to convince us, the IMF, or the markets that it is serious about reform (though the markets remain somewhat buoyed by the expectation of bilateral U.S. assistance). The IMF and the GOT are at loggerheads, with the Fund unhappy with many of the government's economic decisions and its failure to consult with Fund staff. The Fund and the GOT are far apart on the budget (IMF ResRep advised today that they see a gap equal to 2 percent of GNP), on resolution of Yapi Kredi and Pamukbank, and on several structural reform measures. We are seeking meetings for you with the Prime Minister, Deputy PM Sener, and other top economic officials, which will be opportunities for you to reiterate the importance of reform and the link between our assistance package and implementation of the IMF-backed program.
PEARSON